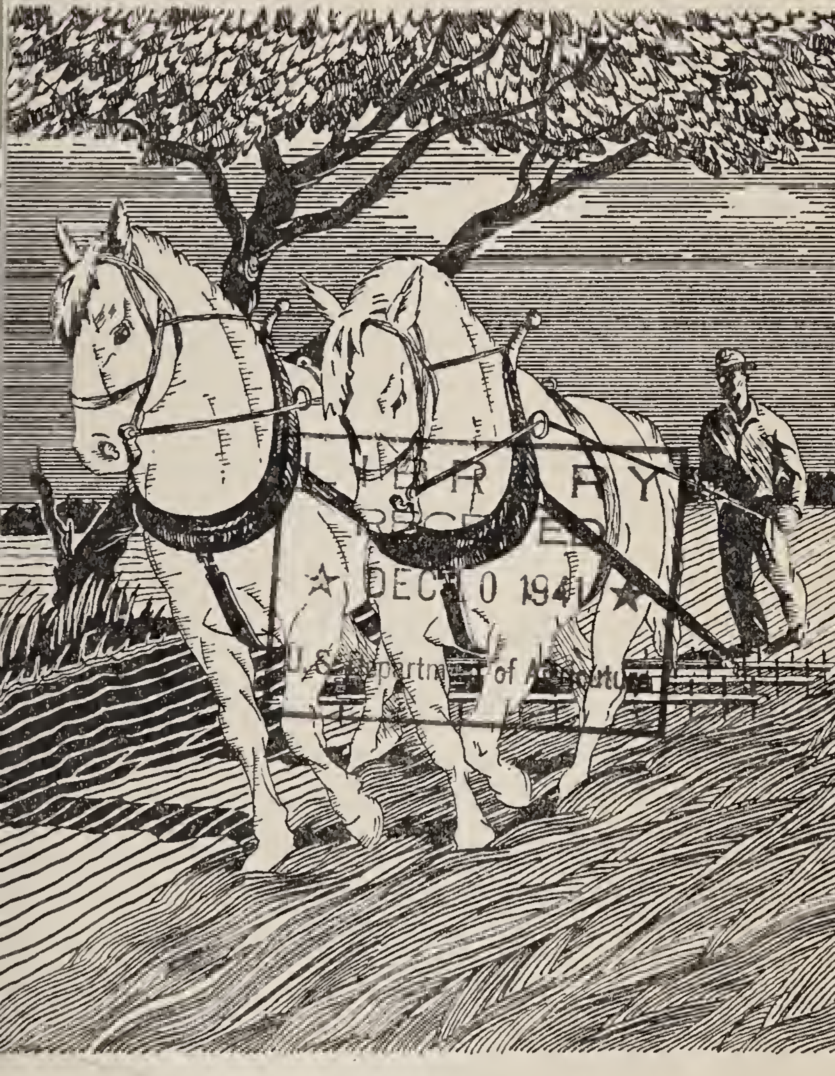
FARM TENANT LOANS



An explanation of the Tenant Purchase Program under Bankhead-Jones Farm Tenant Act

U. S. DEPARTMENT OF AGRICULTURE
FARM SECURITY ADMINISTRATION
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More than two out of every five farmers in the United States are tenants, farming land they do not own, and their ranks are increasing rapidly. One tenant out of every three moves to a new farm each year. In many areas the result is a gradual impoverishment of landlords, tenants, and the land itself.

As one approach to the solution of this problem, Congress passed the Bankhead-Jones Farm Tenant Act in 1937 to provide loans to help a limited number of competent tenants, sharecroppers, and farm laborers purchase their own farms. The tenant purchase program is administered by the Farm Security Administration of the Department of Agriculture.

Here are the answers to the questions most frequently asked about the program.

1. *Where are loans made?*

Loans are made in all States and in the Territories of Hawaii and Puerto Rico. The funds provided are allotted to the respective States and Territories on the basis of farm population and prevalence of tenancy. Some States therefore receive funds sufficient for loans only in certain designated counties.

2. *How are the counties selected?*

By the Secretary of Agriculture with the advice of State Farm Security Advisory Committees. The selection is based on the farm population and prevalence of tenancy, the availability of good land at reasonable prices, and other pertinent factors.

3. Who is eligible for a tenant purchase loan in the selected counties?

Citizens of the United States who are farm tenants (not owners), sharecroppers, farm laborers, or others who obtain or recently have obtained most of their income from farming.

No loans are made to persons who can obtain an adequate loan for the purchase of a farm from other sources at reasonable terms.

4. How should loan applications be made?

If you are a resident of a county selected as one in which loans are to be made, you should obtain an application blank from the Rehabilitation Supervisor who serves your county. Fill it out carefully and return it to him either personally or by mail. It usually is advisable to call at his office and talk the matter over with him or his assistant.

If you do not know the supervisor's address, it may be obtained from your County Agricultural Agent.

5. If my county is not selected for loans, may I apply in one that is selected?

You may apply if you care to, but since many more qualified applicants are living in the selected counties than can receive loans, it is not likely that persons residing outside selected counties will be approved by County Committees. As additional funds are made available and the program is expanded, other counties will be selected and announcements will be made so that persons desiring to apply for loans may do so.

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6. How are persons who receive loans selected?

Congress has provided for County Committees of three farmers to pass on all applications and decide who shall receive loans. Under the law, the committees consider the character, ability, and experience of the applicants in making the selections. The law gives preference to married persons or persons with dependent families; persons able to make a down payment; or to persons who own livestock and equipment necessary to carry on farming operations.

Limitation of funds makes it possible to extend loans to only a few of the qualified applicants.

7. What kind of farms can be purchased?

A family-sized farm which can, in general, be operated with labor available in the family. It should be large enough and sufficiently productive to enable the borrower to pay taxes, insurance, maintain the property, provide a satisfactory living for the family, and retire the loan for the purchase of the farm.

8. How are farms selected?

Applicants select the farms they want to buy. The farm and the price paid for it, however, must be approved by the County Committee and the FSA. The price must be in keeping with the earning capacity of the farm.

9. Must I have a farm selected before I can apply?

No. It is usually best to talk with the County Supervisor and County Committee before choosing a farm.

10. Are loans large enough to cover building repairs and other farm improvements?

Yes. The loans are sufficient to cover the purchase price of the farm and to make such repairs and improvements as are necessary.

11. What other help does the FSA give the borrower?

The Farm Security Administration assists applicants who receive loans to develop sound farm and home management plans, prepare operating budgets, and maintain businesslike records.

The law requires that borrowers carry out these operating plans.

12. Can I get a loan to finish paying for the farm I am now buying?

No. Farm owners are not eligible, and refinancing loans will not be made.

13. How large are the annual payments?

In order to pay off both the principal and 3 percent interest in 40 years as required by the law, it is necessary to pay 4.3 percent of the loan annually. However, borrowers who desire to do so are permitted to pay as they are able; that is, pay more in good years and less in bad years. But the payments of those who follow this variable payment plan must average out in such way as to pay off the debt in 40 years.

14. How are the loans secured?

By a first mortgage or deed of trust on the farm purchased. The borrower must agree to pay taxes and insurance on the farm buildings, to keep the farm in repair, and to prevent waste and exhaustion of the land.

15. Do the loans include funds for crop production or the purchase of livestock and equipment?

No. Tenant Purchase funds can be used only for the purchase and improvement of a farm. While preference is given to persons who own livestock and equipment necessary to carry on farming operations, it is possible, under certain circumstances, for the borrower to obtain a rehabilitation loan from the Farm Security Administration. When circumstances warrant, these loans are made for the purchase of necessary feed, seed, farm supplies, livestock, farm equipment, and other operating goods.

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